

Message Text

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ACTION EB-07

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INFO AMCONSUL RIO DE JANEIRO

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SUBJECT: NEW OIL STRIKES

REF: BRASILIA 3954

1. SUMMARY: ADDITIONAL DRILLING AT GAROUPA STRUCTURE AND AT TWO NEW STRUCTURES IN CAMPOS BASIN HAS REVEALED MORE PETROLEUM ALTHOUGH NOT AT THE DEPTH AND IN THE LIMESTONE FORMATION EXPECTED. FOUR DRILLING RIGS ARE CURRENTLY AT WORK IN THE CAMPOS BASIN. MINISTER OF MINES AND ENERGY REAFFIRMS ESTIMATES OF ABOUT 200,000 B/D OF PRODUCTION FROM CAROUPA, BEGINNING IN 1977. IN MEANTIME, TOTAL DOMESTIC CRUDE PRODUCTION SHOWSLITTLE INCREASE OVER LAST YEAR'S PERFORMANCE, WHILE CONSUMPTION AND IMPORTS ARE GRADUALLY RISING. END SUMMARY.

2. IN NOVEMBER OF LAST YEAR, A PETROBRAS DRILLING SHIP (PETROBRAS II) STRUCK OIL IN LIMESTONE IN THE GAROUPS
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STRUCTURE, 80 KILOMETERS OFF THE COAST FROM CAMPOS, A TOWN

IN STATE OF RIO DE JANEIRO. OIL TESTED AT 5,000 B/D.
THE DRILLING PROMPTED MINISTER OF MINES AND ENERGY
SHIGEAKI UEKI TO ESTIMATE RESERVES OF GAROUPA (THE FIRST
OF 13 GEOLOGICALLY SIMILAR STRUCTURES REPORTED TO HAVE BEEN
IDENTIFIED IN CAMPOS BASIN) IN THE RANGE OF 800 MILLION
BARRELS. PRESIDENT OF PETROBRAS , ARAKEN DE OLIVEIRA, STATED
THAT PRODUCTION OF ABOUT 200,000 B/D WAS EXPECTED TO COMMENCE
IN LATE 1977 OR EARLY 1978.

3. FOLLOWING MONTH PETROBRAS'S CYCLONE DRILLING SHIP
STRUCK OIL IN SANDSTONE AT PARGO, A SECOND STRUCTURE IN
CAMPOS BASIN 20 KILOMETERS FROM GAROUPA. OIL
TESTED 1,550 B/D FROM A ZONE AT 3,006-3,031 METER
DEPTH.

4. IN APRIL OF THIS YEAR PETROBRAS ANNOUNCED COMPLETION
OF DRILLING OF FIRST GAROUPA EXTENSION WELL, LOCATED
NINE KILOMETERS WEST OF THE "PIONEER" WELL.
CYCLONE REPORTEDLY STRUCK OIL IN SANDSTONE IN TWO ZONES:
BETWEEN 2,680 AND 2,688 METERS, WHICH TESTED 2,180 B/D
(AND ALSO REVEALED GAS TESTING 10 MILLION CUBIC METERS
PER DAY); AND BETWEEN 2,718 AND 2,724 METERS, WHICH TESTED
2,800 B/D. AS PIONEER WELL REVEALED OIL IN LIMESTONE
FORMATION AT 3,150 METERS, THE TWO DEPOSITS WOULD APPEAR
TO BE UNCONNECTED.

5. ON MAY 26 UEKI ANNOUNCED ADDITIONAL STRIKES IN TWO NEW
STRUCTURES IN CAMPOS BASIN. ONE WELL (DENOMINATED "RJS 15")
WAS DRILLED BY PETROBRAS II AND REVEALED OIL FROM SANDSTONE
IN TWO ZONES - AROUND 2,673 METERS AND AT 3,129-3,147
METERS. BAD WEATHER EVIDENTLY PREVENTED PRODUCTION ESTS.
ACCORDING UEKI, A SECOND WELL ("RJ 17") WAS DRILLED ON A
SEPARATE STRUCTURE BY ZEPHYR II SEMI-SUBMERSIBLE VESSEL,
WHICH STRUCK OIL IN SANDSTONE AT 1,906-1,917 METERS. PRECISE
LOCATIONS OF TWO NEW STRUCTURES WERE NOT ANNOUNCED. ZEPHYR
AND PETROBRAS II REPORTEDLY ARE STILL DRILLING WITH HOPES
OF ENCOUNTERING OIL IN LIMESTONE FORMATIONS.
ACCORDING ONE REPORT, PENROD-62 SELF-ELEVATING PLATFORM
DRILLED YET ANOTHER STRUCTURE BUT STRUCK NO OIL.
PLATFORM REPORTEDLY IS BEING MOVED TO ANOTHER STRUCTURE.
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6. UEKI ALSO ANNOUNCED THAT "PROBABLY" IN 1977 PRODUCTION
FROM GAROUPA WILL BEGIN, USING FOUR OR FIVE TEMPORARY
PLATFORMS, EACH OF WHICH WOULD PRODUCE 40,000 - 50,000
B/D AND SUPPLY A FLOATING STORAGE TANK.

7. DURING THE PAST TWO WEEKS PETROBRAS ALSO HAS ANNOUNCED
STRIKES OFF-SHORE FROM ALAGOAS AND SERGIPE AND ON-SHORE

IN AMAZONAS. THE FULL POTENTIAL OF THESE REPORTED DISCOVERIES REMAINS TO BE DETERMINED.

8. A SENIOR PETROBRAS OFFICIAL INFORMED MINERALS OFFICER IN RIO THAT COMPANY WILL SPEND A TOTAL OF \$350 MILLION ON EXPLORATION THIS YEAR, COMPARED TO \$222 MILLION IN 1973. ESTIMATED OIL RESERVES AT THE END OF 1973 WERE 744 MILLION BARRELS, WHILE AT THE END OF 1974 PETROBRAS ESTIMATED RESERVES AT 779 MILLION BARRELS (NOT RPT NOT TAKING NEW CAMPOS FIND INTO ACCOUNT).

9. ALTHOUGH CAMPOS MAY HOLD CONSIDERABLE MEDIUM-TERM PROMISE FOR SUBSTANTIALLY INCREASED PETROLEUM PRODUCTION, THE CURRENT SITUATION CONTINUES TO BE FAIRLY BLEAK. CRUDE OUTPUT IN 1974 WAS 64.8 MILLION BARRELS (177,000 B/D), A FOUR PERCENT INCREASE OVER THE PRIOR YEAR. PRODUCTION DURING THE FIRST QUARTER OF 1975 WAS 16.4 MILLION BARRELS (182,000 B/D). NO SIGNIFICANT INCREASE IN THE RATE OF PRODUCTION IS FORESEEN BEFORE THE END OF 1975 OR THE BEGINNING OF 1976, WHEN NEW OUTPUT FROM CAMORIM (SERGIPE) AND IBARANA (RIO GRANDE DO NORTE) IS EXPECTED TO COME ON STREAM, ALONG WITH ADDITIONAL NEW PRODUCTION PLATFORMS AT GUARICEMA AND POSSIBLY CAIOBA, BOTH LOCATED OFF-SHORE FROM SERGIPE.

10. BRAZIL'S CONSUMPTION IN 1974 REACHED 302 MILLION BARRELS (827,000 B/D), A 7.7 PERCENT GAIN OVER THE PRIOR YEAR. THE SUPPLY DEFICIT WAS MADE UP THROUGH THE IMPORT OF 253 MILLION BARRELS OF CRUDE AND 13 MILLION BARRELS OF DERIVATIVES, MOSTLY FROM SAUDI ARABIA. AT LEAST A MODEST RISE IN CRUDE IMPORTS IS PROBABLY THIS YEAR. DURING THE FIRST QUARTER OF THIS YEAR, TOTAL CONSUMPTION OF PETROLEUM PRODUCTS ROSE 2.3 PERCENT TO 69 MILLION BARRELS OVER THE LIMITED OFFICIAL USE

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COMPARABLE PERIOD A YEAR EARLIER, GASOLINE CONSUMPTION, HOWEVER, DECLINED BY 3.8 PERCENT. SHARPLY INCREASED PUMP PRICES, THUS, ARE HAVING THE DESIRED DAMPENING EFFECT ON DOMESTIC GASOLINE CONSUMPTION. THE LATEST INCREASE, A 15 PERCENT BOOST TO CR \$2.30 LITER (US\$1.10 GALLON) FOR REGULAR-GRADE GASOLINE, WAS PUT INTO EFFECT ON MAY 21.

11. PETROBRAS CURRENT STOCKS ARE BELIEVED TO TOTAL ABOUT 87 MILLION BARRELS, OR A THREE-MONTH SUPPLY. (ALTHOUGH OFFICIAL DATA ON PETROLEUM IMPORTS FOR 1975 ARE NOT YET AVAILABLE, ONE UNOFFICIAL REPORT INDICATES THAT 88 MILLION BARRELS WERE IMPORTED DURING THE FIRST FOUR MONTHS, A 10 PERCENT INCREASE OVER THE SAME PERIOD IN 1974. THIS WOULD BE IN LINE WITH PETROBRAS REFINING FIGURES

FOR THE FIRST QUARTER OF THIS YEAR, WHICH SHOW AN 11.4 PERCENT INCREASE.)

12. COMMENT: PONDERING BRAZIL'S PETROLEUM FUTURE, IF IT IS ASSUMED THAT FOR THENEXT SIX YEARS PETROLEUM CONSUMPTION GROWS AT AN AVERAGE OF 6 PERCENT A YEAR (A CONSERVATIVE ASSUMPTION GIVEN THE COUNTRY'S AMBITIOUS DEVELOPMENT PLANS), CONSUMPTION WOULD BE 1,173,000 B/D BY 1980. IT SEEMS QUESTIONABLE WHETHER DOMESTIC PRODUCTION CAN BE MORE THAN 500,000 B/D BY THEN, EVEN WITH CAMPOS COMING ON STREAM. GIVEN THOSE ASSUMPTIONS, BRAZIL IN 1980 WOULD STILL BE IMPORTING MORE PETROLEUM THAN IT IMPORTS TODAY. THE GROWTH IN CONSUMPTION COULD JUST CONCEIVABLY BE SOMEWHAT LOWER AND DEVELOPMENT OF CAMPOS SOMEWHAT MORE RAPID, BUT THE PROJECTION SERVES TO ILLUSTRATE THE MAGNITUDE OF THE TASK CONFRONTING BRAZIL IN TRYING EVEN TO ARREST THE UPWARD TREND IN IMPORTS BEFORE THE END OF THE DECADE -- ASSUMING THAT THE CAMPOS DISCOVERY WILL SUPPORT THE REQUIRED PRODUCTION.
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